



0000121984

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
PAUL NEWMAN
SANDRA D. KENNEDY
BRENDA BURNS

2011 JAN 13 P 4: 44 Arizona Corporation Commission

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED

JAN 13 2011

DOCKETED BY

IN THE MATTER OF ARIZONA PUBLIC
SERVICE COMPANY'S REQUEST FOR
APPROVAL OF SCHOOLS AND
GOVERNMENT RENEWABLE ENERGY
PROGRAM

DOCKET NO. E-01345A-10-0166

IN THE MATTER OF THE
APPLICATION OF ARIZONA PUBLIC
SERVICE COMPANY FOR APPROVAL
OF ITS 2011 RENEWABLE ENERGY
STANDARD IMPLEMENTATION PLAN
AND DISTRIBUTED ENERGY
ADMINISTRATIVE PLAN AND
REQUEST FOR RESET OF
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-10-0262

**THE SOLAR ALLIANCE'S
COMMENTS ON REOPENING OF
DECISION NO. 72022**

The Solar Alliance ("Solar Alliance"), by its counsel undersigned, hereby offers comments on the Arizona Corporation Commission's ("Commission") decision to reopen Decision No. 72022 to reconsider certain amendments to Arizona Public Service Company's ("APS") 2011 REST Implementation Plan ("Plan"). Thank you for the opportunity to comment on the various amendments being reconsidered.

INTRODUCTION

The Commission should be lauded for its efforts over the past year to make the state's incentive programs more transparent, predictable, and reliable. We hope that the Commission will come to a speedy resolution on these amendments thereby providing actors in the market place a high level of regulatory certainty as to what the APS Plan entails. Companies are already preparing offerings in response to the approved APS Plan,

1 and thus any changes to the plan should be finalized and communicated as quickly as
2 possible. The Solar Alliance looks forward to working with the Commission and
3 Arizona Public Service to finalize the APS Plan and to work on new areas of energy
4 policy that can spur additional growth in the solar market, such as clarification of the
5 status of Solar Service Agreements, and the energy-water nexus.

6 The Solar Alliance offers the following comments to add clarification on several
7 of the specific amendments to the Plan under review:

8
9 **Commissioner Pierce Proposed Amendment #1:**

10 This amendment, had it passed, would have denied APS's request to own up to 50
11 percent of the Schools and Government Program solar facilities and transferred the
12 corresponding \$6.8 million in funding to the residential distributed energy incentive
13 program. It also proposed to include a Commission finding that "We do not believe it is
14 in the public interest to allow APS to own or put into rate base any PV system under its
15 Schools and Government program." Subsequent to the rejection of Pierce Amendment
16 #1, the Commission adopted Newman Amendment #4, which limited APS's ownership to
17 25 percent of the Schools and Government Program. The Solar Alliance supports the
18 Commission's final decision to limit utility ownership to 25% of this program's facilities.

19 The Solar Alliance welcomes the limited involvement of utilities as customers and
20 facilitators of widespread adoption of PV, but only with the following parameters:

- 21 1. The Commission should allow schools to choose their solar provider. In order to
22 ensure that projects are viable, the ACC could require a refundable reservation
23 fee, technical specifications of the project and proof of project financing.
- 24 2. The Commission should require APS to present project costs on a per kW
25 installed, and a all-in per-kWh cost of energy to the end user, for all utility
26 owned school projects in their 2012 REST Plan. It is imperative that utility
administration, labor and other costs be broken out from the kW price. In

1 addition, the Commission should require APS to prepare a comparative report
2 looking at the costs of all ownership options under the School and Government
3 Program.

4 In the case of school installations, the market is fairly competitive and direct utility
5 participation should be limited. However, some schools in APS' territory are challenged
6 by economic constraints that make financing a solar system challenging for traditional
7 solar developers. In fact, APS has publically stated that they plan to focus on low-income
8 school districts that are not being currently served by solar developers. If the
9 Commission wishes to ensure that APS focus on underserved low-income school districts
10 it could adopt either or both of the following requirements:

- 11 1. APS may only partner with school districts that have less than an investment
12 grade credit rating on general obligation bonds.
- 13 2. APS may only partner with the smallest 50% of school districts in Arizona,
14 ranked by population size.

15 Competitive markets that encourage a diversity of participants produce the best
16 outcomes for ratepayers and participants alike. To this end, the Commission to should
17 retain the limitation of 25 percent ownership by APS, but consider requiring the two
18 parameters for school qualification laid out above, while also requiring APS to undertake
19 an apples to apples evaluation of costs of utility-owned vs. solar developer owned school
20 projects.

21 **Commissioner Pierce Proposed Amendment #3:**

22 This amendment proposes to reallocate all or nearly all of the marketing and
23 outreach and research and development budgets and shift resources to the distributed
24 energy incentive programs. The Solar Alliance deeply appreciates the Commission's
25 interest to help find resources to meet demand in those segments.

26 The Solar Alliance requests only a review and rejection of unnecessary marketing
and research, development, and demonstration elements. The Alliance agrees with APS

1 that some marketing and outreach funds are reasonable to support administration of an
2 effective program. For example, the "Arizona Goes Solar" website helps alert installers
3 and consumers to forthcoming incentive levels, making the program more predictable.
4 The proposed installer training program is a useful tool to ensure quality installations for
5 ratepayer benefit. In order to preserve some funds for essential marketing needs, the
6 Alliance proposes capping the marketing budget and shifting funds for non-essential
7 expenses to the distributed energy incentive programs.

8 With regard to research, the utility's proposed plan was not clear on a number of
9 proposed projects, and the efforts sounded duplicative of ongoing studies at other Arizona
10 or US utilities and at Sandia as well as the National Renewable Energy Laboratories. The
11 Solar Alliance supports the creation of a statewide stakeholder review group for research
12 and development that can improve visibility on the need for these projects and potentially
13 avoid duplication of efforts, and eliminate non-essential demonstration expenditures.

14 Any funds that are shifted from the marketing and research and development
15 programs should be transferred for use in both the residential and non-residential
16 distributed energy incentive programs in a manner that equalizes expected energy
17 generation from each segment

18 **Commissioner Newman Proposed Amendment #6:**

19 APS proposed to introduce a new guaranteed reservation and priority processing
20 system for requests "significantly below those currently in effect" at \$1/watt or less. This
21 approved amendment rejected the proposal and shifted the \$2.5 million set aside for the
22 Rapid Reservation program back into the regular residential incentives funding. While
23 the Solar Alliance fully supports cost decreases that will lead to reductions in solar prices
24 for consumers and ratepayers, it respectfully opposes this proposed \$1/watt dual-
25 reservation system, and supports the amendment as passed.

26 The Solar Alliance agrees that ratepayers will benefit from well-designed policies
that serve to continue downward pressure on solar costs, and welcomes proposals for new

1 measures. The Alliance, too, seeks the highest returns for ratepayers and the swiftest
2 evolution towards retail grid parity. However, this particular rapid reservation system
3 proposal is unnecessary and potentially highly damaging to the nascent success of
4 Arizona's distributed solar programs.

5 The current structure of the step-down program already swiftly decreases RES
6 funding per system as demand for the program builds. In fact, the downward pressure on
7 solar installation costs is so swift that the incentive will have decreased a significant 42%
8 from January 2010 to January 2011 (while average residential system installation costs
9 have not decreased as much over the same period).

10 Arizona's policy aim to create downward pressure on installation prices is
11 working: installers are working hard to make the new incentive levels work. But the cost
12 of installing in Arizona's still-young infrastructure remains too high for most installers to
13 reduce their costs another 43% below the incentive prescribed in the Plan (to \$1/watt
14 from the current \$1.75/watt). It takes time to identify and achieve new cost efficiencies in
15 marketing, sales, or construction and to educate customers on the incentives available to
16 them. The Alliance is challenged to find any industry that has matured its system delivery
17 costs so swiftly within one year.

18 Much more importantly to Arizona's reputation as a solar leader, a parallel
19 reservation system will confuse customers, installers, and program evaluators. Less
20 scrupulous providers can too easily market this rapid reservation system to customers, and
21 if those projects do not materialize because the project is financially nonviable, the
22 customer and project will be dropped. This situation would be highly damaging to the
23 quality reputation that the solar PV industry has sought to achieve and destructive to
24 customer demand (if the customer should decide to try again with a new installer, they
25 would be best placed at the end of the applications queue). Angry customers may call
26 legislators and regulators to complain about the program and the utility's management of
the rebates. And installers and evaluators will not be able to adequately track demand and

1 progress in the program.

2 **Commissioner Mayes Proposed Amendment #2:**

3 Staff had proposed rejection of both the Powerful Communities (Wholesale
4 Distributed Energy Feed in Tariff (FIT)) and Small Generator Standard Offer (SGSO)
5 Program.¹ At the REST hearing Staff verbally clarified that the SGSO program is not
6 actually a FIT, but should nonetheless be rejected (though the reasoning was unclear).
7 Mayes Amendment No. 2 was adopted by the Commission to grant approval to both of
8 these programs, and included an oral modification to clarify that the resulting energy shall
9 not count toward distributed generation requirements. The Solar Alliance supports
10 approval of both programs, and the clarification that the resulting energy should not count
11 toward distributed generation requirements.

12 The Powerful Communities FIT is a wholesale procurement mechanism for the
13 utilities and, as such, RECs from the pilot FIT program should not count towards the
14 Distributed Energy portion of the RES requirements, nor should the expenditures for the
15 program come from the Distributed Energy budgets.

16 The Powerful Communities program, costing \$375,000 per year, is marginal when
17 compared to other programs or even elements of APS' proposed administration costs, and
18 its intent is to decrease the rate in response to increased volume (MW) participating in the
19 FIT program. Moreover, utilities, regulators, and ratepayers will be well-served by
20 testing a variety of approaches.

21 However, if it is the Commission's ultimate desire to reject the Powerful
22 Communities program, the Alliance would recommend that the budget for the Powerful
23 Communities program be transferred for use in both the residential and non-residential
24 distributed energy incentive programs in a manner that equalizes expected energy
25 generation from each segment.

26 ¹ Transcript of November 22, 2010 Open Meeting , E-01345A-10-0166 et al., at pg. 75.

1 As for the Small Generator Standard Offer program, which will bring online
2 90MW of wholesale solar power by 2015, we offer the following comment. The Alliance
3 argues that the SGSO is already proven to be a successful instrument in procuring least-
4 cost wholesale solar power projects, sized between 2-15MWs. This program is not a
5 FIT, but rather a competitively bid RFP process, which has been designed around lessons
6 learned from APS' successful 2009 Small Generation Pilot program. As APS has already
7 indicated, the RECs from the competitively procured SGSO program will not count
8 towards the distributed generation requirement. Several Alliance members have
9 participated in both the 2009 pilot project procurement process, as well as the latest April
10 2010 RFP for the SGSO, and have found the process to be competitive and fair.

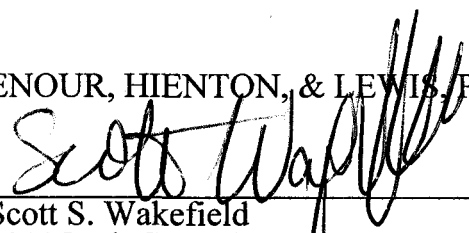
11 CONCLUSION

12 The Solar Alliance appreciates the Commission's efforts to establish a transparent,
13 predictable and reliable plan for implementation of APS's REST programs, and
14 anticipates the Commission's swift approval any further modifications to APS's plan.

15 Dated this 13th day of January, 2011.

16 RIDENOUR, HIENTON, & LEWIS, P.L.L.C.

17 By


18 Scott S. Wakefield
19 201 North Central Avenue, Suite 3300
20 Phoenix, Arizona 85004-1052
21 Attorneys for The Solar Alliance

22 ORIGINAL and 15 copies filed
23 this 13th day of January, 2011 with:

24 Docket Control
25 Arizona Corporation Commission
26 1200 W. Washington Street
Phoenix, AZ 85007

1 COPY of the foregoing HAND-
2 DELIVERED this 31 day of
3 January, 2011 to:

4 Lyn Farmer
5 Chief Administrative Law Judge
6 Hearing Division
7 Arizona Corporation Commission
8 1200 West Washington Street
9 Phoenix, Arizona 85007

10 Janice M. Alward, Esq.
11 Chief Counsel, Legal Division
12 Arizona Corporation Commission
13 1200 West Washington Street
14 Phoenix, Arizona 85007

15 Steven M. Olea, Director
16 Utilities Division
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 COPY of the foregoing HAND-
21 DELIVERED this 31 day of
22 January, 2011 to:

23 Commissioner Gary Pierce, Chairman
24 Commissioner Paul Newman
25 Commissioner Sandra D. Kennedy
26 Commissioner Bob Stump
27 Commissioner Brenda Burns
28 1200 W. Washington Street
29 Phoenix, Arizona 85007

30 COPY of the foregoing
31 ELECTRONICALLY TRANSMITTED
32 this 31 day of January, 2011 to:

33 Deborah R. Scott
34 Pinnacle West Capital Corporation
35 400 North 5th Street
36 P.O. Box 53999, Ms 8696
37 Phoenix, AZ 85072-3000
38 Email: deb.scott@pinnaclewest.com
39 *Attorneys for Arizona Public Service Company*

1 Court Rich
2 Rose Law Group, P.C.
3 6613 N. Scottsdale Rd., Suite 200
4 Scottsdale, AZ 85250
5 Email: crich@roselawgroup.com
6 *Attorneys for Solar City Corporation*

7 C. Webb Crockett
8 Patrick J. Black
9 Fennemore Craig, P.C.
10 3003 N. Central Ave., Suite 2600
11 Phoenix, AZ 85012-2913
12 Email: wcrockett@fclaw.com and pblack@fclaw.com
13 *Attorneys for Freeport-McMoRan Copper*
14 *& Gold Inc. and Arizonans for Electric*
15 *Choice and Competition*

16
17
18
19
20
21
22
23
24
25
26
